

CALIFORNIA ENERGY COMMISSION

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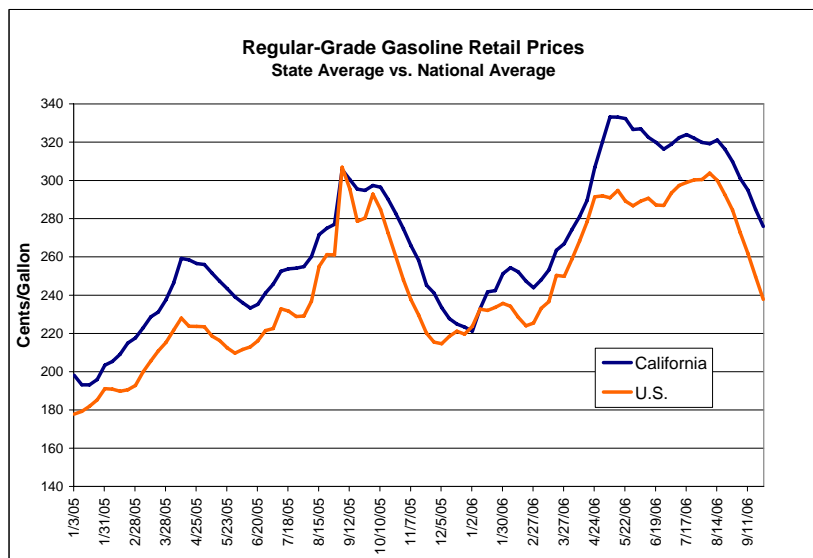
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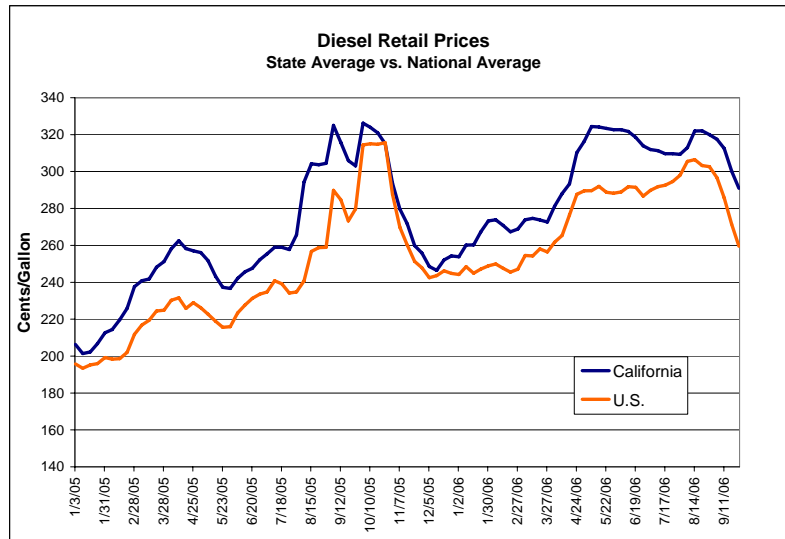
Consumer Information: www.ConsumerEnergyCenter.org

**Petroleum Watch****September 29, 2006*****Retail Gasoline and Diesel Prices on September 25***

- For the sixth consecutive week, California gasoline prices have fallen. The average statewide **retail price for regular-grade gasoline** dropped 9 cents to \$2.76 per gallon, 57 cents less than the record high of \$3.33 on May 8.ⁱ
- The difference between California and U.S. retail gasoline prices increased to 38 cents per gallon as U.S. prices dropped to \$2.38 per gallon, 12 cents less than last week and an uninterrupted decline of 66 cents since August 7.



- The average California **retail diesel price** fell by 9 cents from the previous week to \$2.91 per gallon. At the same time, the U.S. retail diesel price fell to \$2.60 per gallon, increasing the difference between California and U.S. prices to 31 cents per gallon.

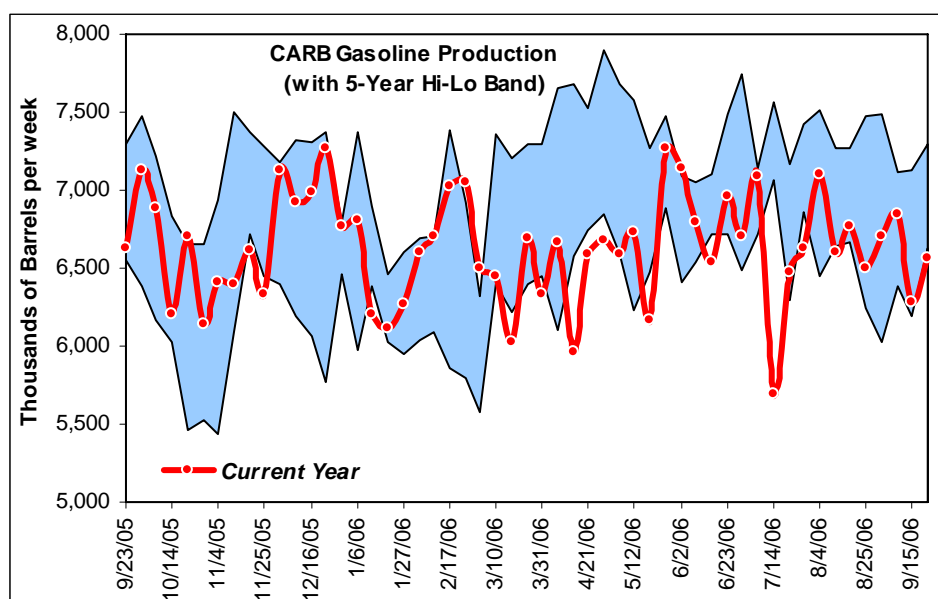


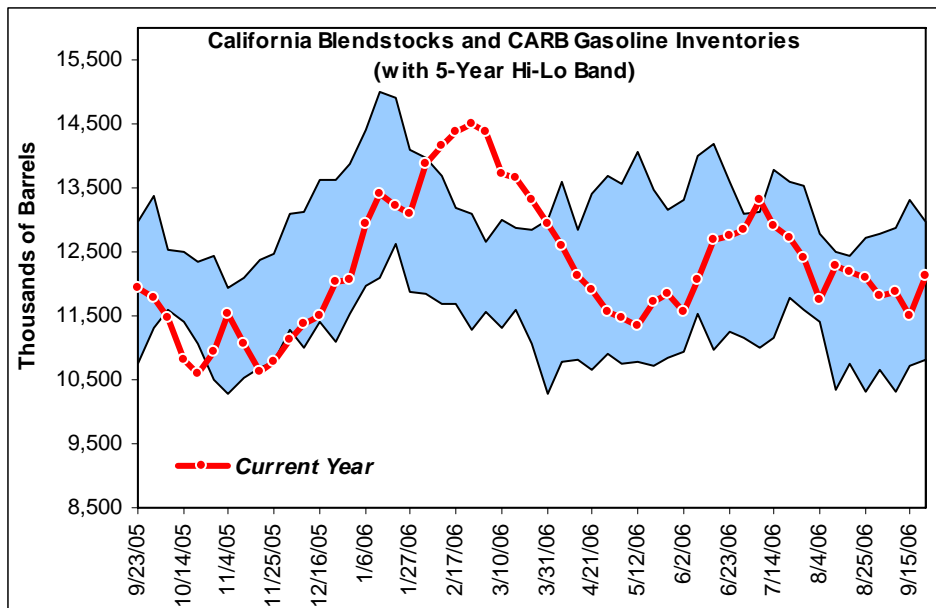
Wholesale Gasoline and Diesel Prices on September 26

- California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) dropped over the last week to \$1.68, the lowest price since February 16. Prices are now \$1.29 lower than the record high of \$2.97 on May 2 and only 12 cents more than the 2006 low of \$1.56 on February 14.
- Relatively low crude oil prices combined with lower national fuel prices due to high production and imports and growing inventories have been the main causes of declining California gasoline prices.
- Spot prices for RBOB in Los Angeles are 17 cents higher than New York Harbor and 18 cents more than the Gulf Coast.
- California spot **wholesale low-sulfur diesel prices** ended at \$1.79 per gallon this week, 4 cents less than on September 19, only 5 cents more than the 2006 low of \$1.74 on February 15, and 89 cents lower than the record high of \$2.68 on May 3.
- California wholesale low-sulfur diesel prices are 9 cents more than New York Harbor and 5 cents higher than the Gulf Coast, declining from 14 cents more than both regions on September 19.
- California gasoline ended the reporting week 11 cents less than California diesel, compared to 10 cents less on September 19.
- The Energy Information Administration (EIA) weekly assessment for September 22 reports that **U.S. gasoline demand** grew 0.6 percent from the previous week, while distillate demand increased slightly by 0.1 percent. The four-week average demand for gasoline is 9.38 million barrels per day, 6.2 percent more than last year's four-week average. The four-week average for U.S. distillate demand is 4.12 million barrels per day, 5.7 percent more than last year. However, last year's U.S. fuel demand levels were unusually low because of the impacts of Hurricane Katrina.

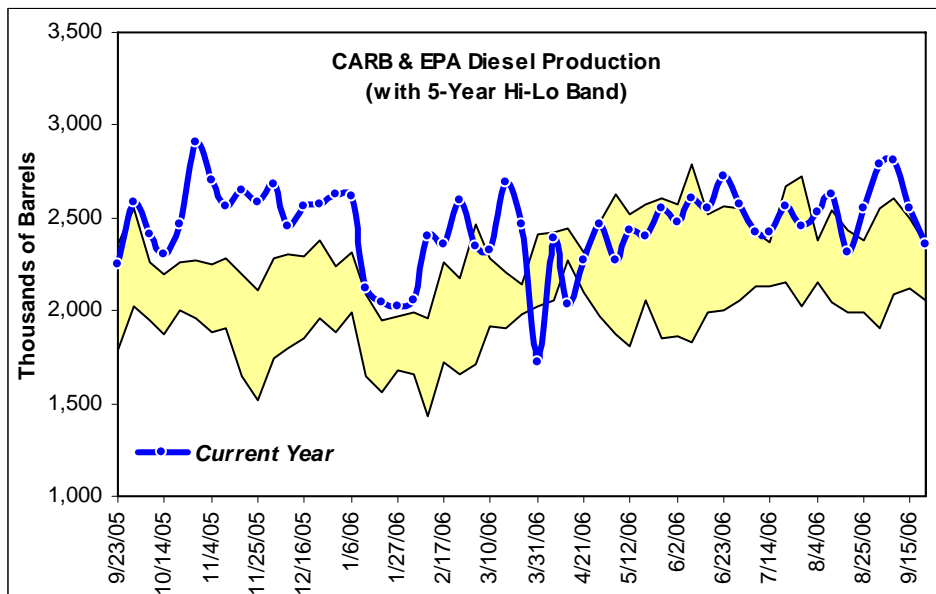
Refinery Production and Inventories

- **Reformulated gasoline production** in California for the week ending September 22 increased 4.5 percent from the previous week to 6.57 million barrels. Production levels remained in the lower end of the five-year range.ⁱⁱ
- California reformulated gasoline inventories rose by 9.6 percent and gasoline blendstock inventories by 2.5 percent during the last week. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **increased by 5.4 percent** to 12.12 million barrels and rose to the upper middle of the five-year range.
- U.S. gasoline inventories increased 6.3 million barrels to 213.9 million barrels as of September 22. Stocks rose in all regions of the United States except the West Coast, with the biggest increase on the East Coast.

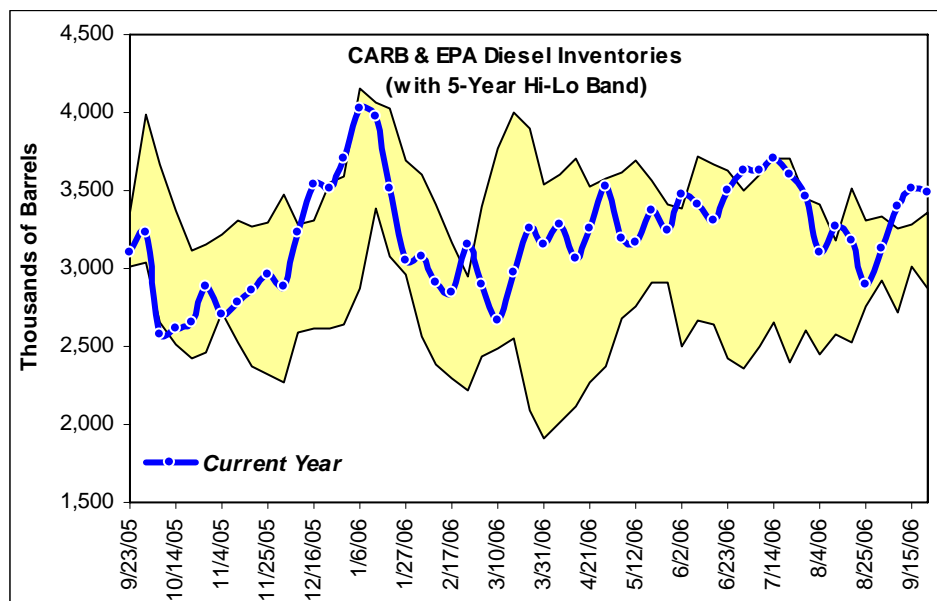




- California low-sulfur **diesel production** during the week ending September 22, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, decreased by 7.4 percent from the previous week to 2.36 million barrels. However, output is still 4.9 percent higher than year-ago levels and remains at the upper end of the five-year range.

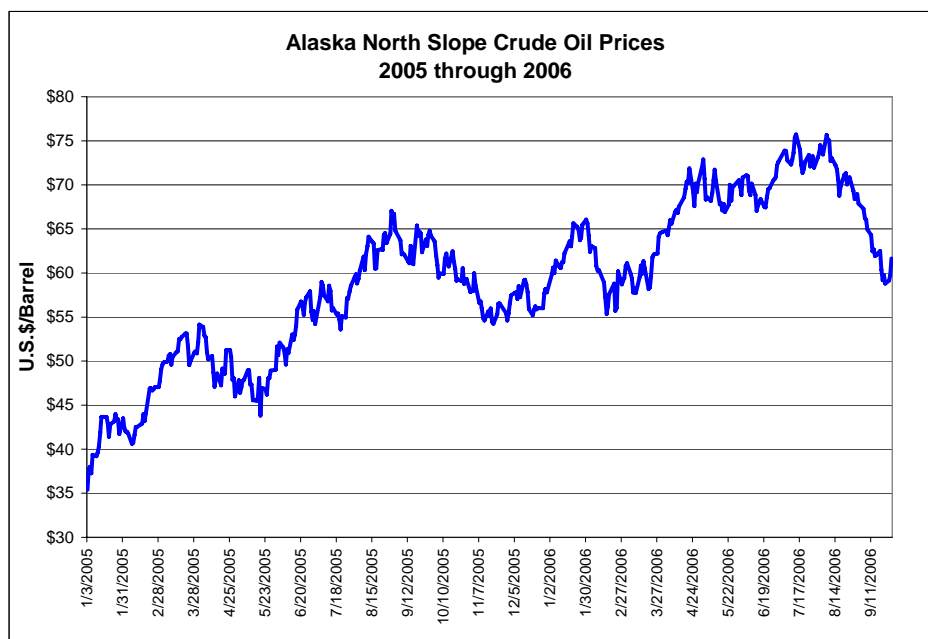


- Combined low-sulfur **diesel inventories** in California declined by nearly 1 percent from the previous week to 3.48 million barrels, staying well above the five-year range. Total U.S. distillate inventories as of September 22 jumped to 151.3 million barrels, 2.6 million barrels more than the previous week and a 32 percent increase since April 28. The bulk of the distillate stock increases were reported on the East and West Coasts.



Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, remained slightly below \$60 per barrel through most of last week. Several uncertainties continue to hang over global crude oil markets. Although the rhetoric over Iran's uranium enrichment program has cooled somewhat, the issue remains far from resolved. OPEC recently announced that it would not reduce oil production, but some oil ministers have begun to publicly raise the issue of how low prices might have to go to spur such output cuts. Questions continue to dog official Nigerian estimates of oil production shut down due to militant attacks and other outages. These estimates seem suspiciously high, possibly an effort to maintain production in the event of OPEC negotiations on members' output reductions. Iraqi oil exports from the northern pipeline route through Ceyhan, Turkey, surged this last week, but it is not clear that this can continue due to low stocks in storage at the port. BP has received permission from the U.S. Department of Transportation to reopen their shutdown eastern line at Prudhoe Bay to test pipelines for corrosion. Production from Prudhoe Bay temporarily reached 332,000 barrels per day as of September 25, an increase of about 100,000 barrels per day from last week.ⁱⁱⁱ However, the ANS price jumped almost \$2 per barrel on September 27 to \$61.66, on a broad upturn in commodity prices and financial markets and on rumors of an outage at Sunoco's Philadelphia refinery, but is still \$14.07 less than the record high of \$75.73 on July 14.^{iv}



- U.S. commercial crude oil inventories as of September 22 dropped slightly by 109,000 barrels to 324.8 million barrels as very high import levels offset high refinery crude oil runs. Stocks are 19.1 million barrels higher than last year and 34.7 million higher than the five-year average. California crude oil stocks, however, fell 7.2 percent from the previous week to 14.52 million barrels.

ⁱ Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

ⁱⁱ California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

ⁱⁱⁱ Alaska oil production estimates are from the Tax Division of the Alaska Department of Revenue. Further information on the BP Prudhoe Bay crude oil production curtailment can be found at: <http://www.energy.ca.gov/2006publications/CEC-999-2006-014/CEC-999-2006-014.PDF>.

^{iv} ANS crude oil prices are from *The Wall Street Journal*.